



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: May 31, 2011

Approved

Date

6/3/11

COUNCIL DISTRICT: 5
SNI: N/A

SUBJECT: ADOPTION OF THE RELOCATION PLAN FOR THE TAYLOR OAKS APARTMENTS BEING ACQUIRED AND REHABILITATED BY FOR THE FUTURE HOUSING, INC.

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving the Relocation Plan for Taylor Oaks Apartments at 2727-2738 Kollmar Avenue prepared by Overland, Pacific & Cutler, Inc. dated May 16, 2011.

OUTCOME

The City Council's approval of the recommended action will allow the relocation of the tenants at the Taylor Oaks Apartments (the "Project") so that the building rehabilitation and reoccupancy can be completed by the Neighborhood Stabilization Program 2 ("NSP2") funding deadline.

BACKGROUND

On May 17, 2011, the City Council adopted a resolution approving a funding commitment to For the Future Housing, Inc. ("FFH") or its designated affiliate for up to \$5,250,000 for an acquisition, rehabilitation and permanent loan funded from the Neighborhood Stabilization Program 2 ("NSP2"). The NSP2 funds will assist in the acquisition of the property by FFH, provide rehabilitation funding, tenant relocation costs, and permanent financing for the existing 59-unit Taylor Oaks apartments.

The Project is located at 2727-2738 Kollmar Avenue, just east of Capital Expressway and approximately ¾ mile south of Highway 101. The area is composed primarily of apartment complexes and entry-level, single family residential homes. The property is in close proximity to amenities such as schools, grocery stores and transportation.

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The project will serve individuals and families between 30-50% of area median income (“AMI”) with incomes between \$21,750 and \$46,600 per year. The majority of the existing tenants will continue living at the property and be moved into newly renovated units as they become available.

Construction is expected to start in September 2011 and last approximately 12 months. Units will be rehabilitated in groups of five to ten to allow qualifying tenants to be moved directly into finished units.

ANALYSIS

As this project entails the acquisition of an existing rental property and the imposition of new affordability restrictions, some tenants are expected to relocate. Because the project involves the use of Federal funds, Federal Relocation law will apply. The developer has engaged Overland, Pacific & Cutler (OPC), professional relocation consultants, to develop the Relocation Plan and oversee the tenant relocation. The City Council is required to approve the Draft Relocation Plan after it has been posted for a “reasonable period.” When the City Council approved NSP2 funding for the project on May 17, 2011, the Draft Relocation Plan had not yet been posted. The Draft Relocation Plan is being presented to City Council at this time in order to adhere to the project schedule and meet the NSP2 funding deadline. The Housing Department, the City’s relocation consultant, and the City Attorney have reviewed the Draft Relocation Plan and determined that it conforms to applicable law. The Housing Department will monitor the developer and OPC’s actions pertaining to relocation of the tenants.

Based on OPC’s preliminary analysis, there are 19 tenants who are ineligible to remain in the Taylor Oaks development. For the purposes of this project, tenants are deemed ineligible if they are “over-income” or if they are “under-housed”. Over-income tenants have annual incomes exceeding 50% AMI by family size for Santa Clara County. The 50% AMI limit is a requirement of the NSP2 funding source. Per relocation law, tenants are under-housed to the extent that the current and future rehabilitated two-bedroom units cannot adequately accommodate their households because of the size of the household. OPC estimates that there are five over-income tenants and 14 under-housed tenants.

For over-income and under-housed tenants, estimated relocation budgets have been developed utilizing comparable rents within the City of San José, minus the base monthly rent being paid by the tenants, multiplied by 42 months, to establish a Rental Assistance Payment (RAP). In addition, the permanently displaced tenants may be eligible to receive a one-time fixed moving payment.

As a result of the proposed rehabilitation and site improvements, the 37 remaining eligible tenants qualifying to remain in the Taylor Oaks Project will be temporarily displaced. The Plan specifies that the relocation of the eligible tenants will primarily be through on-site relocation utilizing the four currently vacant units, provided they remain vacant, to house eligible tenants temporarily, along with additional units that will become available to house eligible tenants temporarily as ineligible tenants vacate units through permanent relocation.

Temporarily displaced tenants may be required to move twice – once to move out of the tenant’s current unit during the rehabilitation phase and once to move back into a fully rehabilitated unit. All tenants who are qualified to remain at the property will be offered the opportunity to move into a rehabilitated unit should a rehabilitated unit be available. All tenants to be temporarily displaced will receive moving assistance. The Draft Relocation Plan includes a Relocation Cost Estimate based on the estimates of 19 permanently displaced tenants and 37 temporarily displaced tenants. It is provided in the table below.

Relocation Cost Estimate

Rental Assistance Payments	\$732,885
Fixed Move Payments	21,625
Temporary Onsite Relocation	123,000
Subtotal Relocation Benefits	<u>\$877,510</u>
Contingency (10%)	87,751
Total	<u><u>\$965,261</u></u>

As stated in the memorandum approved by City Council on May 17, 2011, the total budget for the project is \$12,568,000. The relocation costs are fully funded in this budget.

The Draft Relocation Plan is posted on the Housing Department’s website at www.sjhousing.org on the Publications page. Copies of the Relocation Plan have also been provided to the existing tenants at the Taylor Oaks property.

EVALUATION AND FOLLOW-UP

There is no anticipated follow-up and evaluation necessary.

POLICY ALTERNATIVES

To arrive at this recommendation, staff considered the following options:

Alternative #1: *Do not approve adoption of the Relocation Plan for the Taylor Oaks Project.*

Pros: The existing tenants would not have to be relocated.

Cons: The developer would not be able to proceed with the much-needed physical improvements to this property.

Reason for not recommending: If the Taylor Oaks project does not proceed, the City may not meet its NSP2 funding obligation and miss the opportunity to utilize NSP2 resources for multifamily housing.

PUBLIC OUTREACH/INTEREST

- Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)

- Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)

- Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This item does not meet the criteria listed above as the funding commitment was previously approved by City Council.

COORDINATION

This report has been prepared by the Housing Department in coordination with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This recommendation is consistent with the Housing Department's *Five-Year Investment Plan for Fiscal Years 2007/08-2011/12* in increasing the supply of affordable housing, and with the City's *Consolidated Plan* in providing family units for very low- and extremely low-income households.

COST SUMMARY/IMPLICATIONS

There are no cost implications. Funding was previously approved by City Council.

CEQA

CEQA: Exempt, PP11-022.

/s/
LESLYE CORSIGLIA
Director of Housing

For questions please contact Leslye Corsiglia at 408-535-3855